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BAGHDAD FOR AMBASSADOR ERELI

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TAGS: [EAID](#) [ECON](#) [PREL](#) [BA](#)
SUBJECT: TRANSPARENCY OF BAHRAIN'S BUDGET

REF: STATE 28885

Classified By: CDA Christopher Henzel for reasons 1.4 (b) and (d)

¶1. (U) This cable responds to reftel request for an evaluation of the transparency of the Bahraini government budget under Section 7088(c)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act (SFOAA), 2009 (Div. H, P.L.111-8) (reftel). Each of the four questions in the reftel request is answered in a separate paragraph below.

¶2. (U) Q: Is the central government expected to receive or is it already receiving U.S. foreign assistance funded using FY 09 funds?

A: Bahrain is expected to receive U.S. foreign assistance funding from FY 09 funds.

¶3. (U) Q: Is the host country's budget publicly available?

A: Bahrain prepares its budget on a bi-annual basis, and makes the final budget available to the public online, in print, and on a CD -- all distributed for free by the Ministry of Finance.

¶4. (U) Q: Are incomes and expenditures included in the publicly-available budget?

A: The publicly-available budget includes a breakdown of both incomes and expenditures. State revenue is reported in seven broad chapters: oil & gas, taxation and fees, government goods and services, investments and government properties, grants, sale of capital assets, and fines and penalties. Each chapter is subdivided into categories and each category is reported as percentage of the corresponding chapter's total revenue. The expenditure budget is divided into recurrent expenditures and projects. The recurrent expenditures chapter is subdivided into a manpower budget and six other categories including: services, consumables, assets, maintenance, transfers, and grants/subsidies/loan interest repayment. Each of these categories is further divided by ministry.

¶5. (C) Q: To what extent does the publicly-available budget accurately reflect actual government incomes and expenditures?

A: The publicly-available budget generally reflects actual incomes and expenditures, but there are areas where either no information is provided or where the data may not accurately reflect reality. The primary area that is not reported at all is the Royal Court's budget. Both the overall size and the breakdown of the Royal Court's revenues and expenditures are unknown. The second area involves Bahrain's parastatal holdings. While the government's holding company, Bahrain Mumtalakat, is widely considered to be among the most transparent of sovereign wealth funds, there is the opportunity for revenues of the individual companies to be manipulated for government purposes, particularly in the area of oil and gas where both actual and reported costs are not

determined by the market, and thus the final revenues paid to the government (as reported in the budget) may or may not represent operating profits.

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